

DEPARTMENT OF VETERANS' SERVICES - SUMMARY**A.R.S. § 41-602**

Patrick Chorpenning, Director

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General Fund and Other**Appropriated Funds****FY 1998
Actual****FY 1999
Estimate****FY 2000
Approved****FY 2001
Approved**Program Summary

Veterans' Services and Administration	1,491,700	1,981,900	2,102,200	2,082,400
Veterans' Home	9,001,100	9,561,500	10,303,200	9,816,400

Total Appropriations	10,492,800	11,543,400	12,405,400	11,898,800
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Expenditure Detail

FTE Positions	243.5	286.0	293.0	293.0
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Personal Services	5,362,300	6,191,600	6,899,700	7,037,900
Employee Related Expenditures	1,407,700	1,695,900	1,799,500	1,806,700
Professional and Outside Services	1,581,600	1,435,100	1,140,300	1,140,900
Travel - In State	39,100	41,300	41,300	41,300
Travel - Out of State	5,500	5,400	5,400	5,400
Food	346,600	350,000	350,000	350,000
Other Operating Expenditures	1,688,500	1,673,800	1,384,900	1,384,900
Equipment	21,500	110,300	151,500	91,700

Operating Subtotal	10,452,800	11,503,400	11,772,600	11,858,800
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Special Line Items	40,000	40,000	632,800	40,000
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Total Appropriations	10,492,800	11,543,400	12,405,400 ^{1/2/}	11,898,800 ^{1/2/}
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Fund Summary

General Fund	964,100	1,599,300	1,700,500	1,648,200
State Veterans' Conservatorship Fund	527,600	382,600	401,700	434,200
State Home for Veterans' Trust Fund	9,001,100	9,561,500	10,303,200	9,816,400

Total Appropriations	10,492,800	11,543,400	12,405,400	11,898,800
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Agency Description — *The agency assists veterans in developing and filing claims for federal entitlements, acts as a guardian or conservator for incapacitated veterans or their families and supervises state educational and training programs for veterans. In addition, the agency began operating and maintaining a skilled nursing-home for Arizona veterans in FY 1996. The 200-bed State Veterans' Nursing Home is located in Phoenix on the former Indian School Land.*

Additional Legislation: Director of Veterans' Services; Commission (Chapter 164) — This bill replaces the Veterans' Service Commission with a new cabinet level agency, named the "Department of Veterans' Services." All of the powers and duties of the commission are transferred to the department. The Arizona Veterans' Service Advisory Commission was established in place of the Veterans' Service Commission and consists of 7 veterans appointed by the Governor for 3-year terms.

Veterans' Service Commission; Procurement Exemption (Chapter 338) — This bill provides an exemption from procurement requirements, allowing the agency to use the federal General Services Administration catalog for

supplies and materials at the Arizona State Veterans' Home. The legislation also allows the Director of the department to solicit and receive donations, including in-kind donations, from the public for veterans.

Other Issues: FY 1999 Supplemental — The approved FY 1999 amounts for the Veterans' Services and Administration cost center and the Veterans' Home cost center include supplemental funding totaling \$1,917,800. Of this amount, \$578,200 consists of additional General Fund monies that were allocated to the agency's Fiduciary division for new personnel and a new computer system, and for other programs in the Veterans' Services and Administration cost center. Of the \$578,200 Veterans'

^{1/} General Appropriation Act funds are appropriated as a Lump Sum for the Program.

^{2/} Beginning on July 1, 1999, the Joint Legislative Budget Committee shall review all proposed Arizona Veterans' Service Commission contracts above \$20,000, except contracts for nursing and dietary services. (General Appropriation Act footnote.)

DEPARTMENT OF VETERANS' SERVICES - SUMMARY (Cont'd)

Services and Administration supplemental, \$517,100 is being funded by a reduction in an unspent FY 1998 appropriation for the Veterans' Home in the Department of Administration budget. The Veterans' Services and Administration FY 1999 supplemental includes a decrease of \$(184,400) from the State Veterans' Conservatorship Fund. (*See the individual section for further detail.*)

In addition, the Veterans' Home received a FY 1999 supplemental totaling \$1,524,000 to pay for increased operating expenditures, which is described in the following pages. The Home's supplemental was funded from the State Home for Veterans' Trust Fund. These amounts are summarized in the table below.

<u>FY 1999 Supplementals</u>		
Fiduciary	(GF)	\$ 578,200
	(OF)	(184,400)
Veterans' Home	(OF)	<u>1,524,000</u>
		<u>\$1,917,800</u>
Fund Sources:		
General Fund		\$ 578,200
Veterans' Home Trust Fund		1,524,000
Conservatorship Fund		<u>(184,400)</u>
		<u>\$1,917,800</u>

**DEPARTMENT OF VETERANS' SERVICES -
VETERANS' SERVICES AND ADMINISTRATION**

A.R.S. § 41-601

General Fund and State Veterans' Conservatorship Fund	FY 1998 Actual	FY 1999 Estimate	FY 2000 Approved	FY 2001 Approved
FTE Positions	41.0	45.0	45.2	45.2
Personal Services	889,800	1,178,100	1,325,300	1,351,900
Employee Related Expenditures	222,200	292,700	303,800	316,600
Professional and Outside Services	41,500	19,000	38,400 ^{1/}	39,000 ^{1/}
Travel - In State	38,900	37,500	37,500	37,500
Travel - Out of State	3,700	3,200	3,200	3,200
Other Operating Expenditures	243,300	301,100	202,500	202,500
Equipment	12,300	110,300	151,500	91,700
Operating Subtotal	1,451,700	1,941,900	2,062,200	2,042,400
Veterans' Organizations Contracts	40,000	40,000	40,000	40,000
Total Appropriations	1,491,700	1,981,900	2,102,200 ^{2/}	2,082,400 ^{2/}
Fund Summary				
General Fund	964,100	1,599,300	1,700,500	1,648,200
State Veterans' Conservatorship Fund	527,600	382,600	401,700	434,200
Total Appropriations	1,491,700	1,981,900	2,102,200	2,082,400

Program Description — *The division assists veterans, their dependents and/or survivors in developing and filing claims for federal entitlements from the U.S. Department of Veterans Affairs in areas of disability, pension, insurance, and burial. The division also acts as guardian for incapacitated veterans or family members which involves assuming responsibility for financial obligations and the physical well-being of the veteran or family member.*

Fiduciary Improvements — The approved FY 1999 amount includes a General Fund supplemental appropriation of \$495,700 for 4 new FTE Positions and a new computer system for the department's Fiduciary Division. The approved amount also includes a decrease of \$(184,400) from the State Veterans' Conservatorship Fund. The supplemental funding was required to implement reforms first recommended by a special task force appointed in October 1998 by the Governor to address fiscal and management problems in the Fiduciary Division. The Governor's decision to intervene followed the department's September 1998 announcement that declining revenues in the State Veterans' Conservatorship Fund, the sole funding source for the Fiduciary Division, would result in an operating deficit in FY 1999.

The non-lapsing General Fund subsidy appropriated to the Arizona Department of Administration in FY 1998 for the Veterans' Home was reallocated for the Fiduciary Division's FY 1999 supplemental.

The approved FY 2000 amount includes a reduction of \$(116,600) in General Fund monies due to the elimination

of one-time expenditures. The approved amount in FY 2001 includes a further decrease of \$(21,600) in the Fiduciary Division's General Fund appropriation. The General Fund monies that will be provided to the division in FY 2000 and FY 2001 will continue funding for the 4 new FTE Positions and other costs associated with the Governor's reforms. The additional General Fund monies will also be required to replace lost revenues from the State Veterans' Conservatorship Fund.

The following table details the approved FY 2000 and FY 2001 expenditure plans for the Fiduciary Division, which includes additional monies provided in the General Appropriation Act for merit salary increases:

^{1/} Includes an adjustment for Office of the Attorney General legal services. (See the Salary Adjustment table at the front of this report for more information.)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum for the Program.

**DEPARTMENT OF VETERANS' SERVICES -
VETERANS' SERVICES AND ADMINISTRATION (Cont'd)**

Table A

Fiduciary Division FY 2000 & FY 2001 Expenditure Plans		
	<u>FY 2000</u>	<u>FY 2001</u>
FTE Positions	20.0	20.0
Personal Services	\$594,200	\$606,100
Employee Related Expenditures	135,500	141,500
Travel - In State	8,700	8,700
Other Operating Expenditures	28,500	28,500
Equipment	<u>37,000</u>	<u>37,000</u>
TOTAL	<u>\$803,900</u>	<u>\$821,800</u>
<u>Fund Sources</u>		
General Fund	\$402,200	\$387,600
Veterans' Conservatorship Fund	<u>\$401,700</u>	<u>\$434,200</u>
TOTAL	<u>\$803,900</u>	<u>\$821,800</u>

Salary Increases — The approved FY 1999 amount includes a supplemental appropriation of \$17,800 to fund a salary increase for the department's Veterans' Service Officers. The approved amount for FY 2000 includes a further increase of \$29,700 to annualize the cost of the Veterans' Service Officer pay raise. The approved FY 1999 amount also includes \$21,400 to increase the Director's salary. The approved amount for FY 2000 includes a further increase of \$46,200 to annualize the cost of the Director's salary increase. These amounts are continued in FY 2001.

Deputy Director — The approved FY 2000 amount includes \$13,500 in General Fund monies in FY 2000 to fund part of the salary and benefits costs of a new deputy director position. However, the majority of the costs for this new position, \$70,900, is funded through the State Home for Veterans' Trust Fund. These amounts are continued in FY 2001.

Assistant Attorney General — The approved FY 1999 amount includes a supplemental appropriation of \$19,000 for Professional and Outside Services to pay for a half-time Assistant Attorney General position. The approved amount for FY 2000 includes a further increase of \$38,300 for this contracted position. This amount is continued in FY 2001.

Other Operating Expenditures — The approved FY 1999 amount includes a supplemental appropriation of \$24,300 for Other Operating Expenditures, which will provide additional funding for telecommunications, postage, and increased rental costs for the agency's satellite office in Sierra Vista. The approved amount for FY 2000 includes a further increase of \$6,000 for a copy machine, maintenance costs and janitorial services for the agency's satellite office in Yuma. This amount is continued in FY 2001.

Veterans' Benefit Network Upgrade — The approved amount includes \$74,800 in FY 2000 to upgrade the department's Benefit Delivery Network computer system, which allows the agency's Veterans' Service Officers to provide claims assistance, research claim status, and verify veterans' status. In FY 2001, this amount is reduced by \$(59,800) due to the elimination of one-time expenditures.

Replacement Equipment — The approved FY 2000 amount includes an increase of \$29,200 for replacement equipment. This amount is continued in FY 2001.

Veterans' Organizations Contracts — Provides General Fund monies for contracts with veterans' organizations to compensate them for claims development services for veterans the department does not serve.

Capital Outlay Appropriations: Appropriation; Veterans' Cemetery (Chapter 133) — This legislation appropriates \$500,000 in General Fund monies in FY 2000 for the establishment of a state veterans' cemetery at Fort Huachuca in Sierra Vista. This appropriation was made non-lapsing through FY 2001, and will pay for the initial costs of architect engineering, title work, and land transfer involved with the cemetery's establishment. The state will also have the fiscal responsibility of administering, operating and maintaining the cemetery. Funding for these on-going operating expenditures was not included in the bill.

DEPARTMENT OF VETERANS' SERVICES - VETERANS' HOME**A.R.S. § 41-602**

State Home for Veterans' Trust Fund	FY 1998 Actual	FY 1999 Estimate	FY 2000 Approved	FY 2001 Approved
FTE Positions	202.5	241.0	247.8	247.8
Personal Services	4,472,500	5,013,500	5,574,400	5,686,000
Employee Related Expenditures	1,185,500	1,403,200	1,495,700	1,490,100
Professional and Outside Services	1,540,100	1,416,100	1,101,900	1,101,900
Travel - In State	200	3,800	3,800	3,800
Travel - Out of State	1,800	2,200	2,200	2,200
Food	346,600	350,000	350,000	350,000
Other Operating Expenditures	1,445,200	1,372,700	1,182,400	1,182,400
Equipment	9,200	0		
Operating Subtotal	9,001,100	9,561,500	9,710,400	9,816,400
Veterans' Home Contingency	0	0	592,800 ^{1/}	0
Total Appropriations	9,001,100	9,561,500	10,303,200 ^{2/}	9,816,400 ^{2/}

Program Description — *The division operates and maintains a 200-bed skilled nursing home for Arizona veterans. The State Veterans' Nursing Home, located on the former Indian School land, opened during FY 1996.*

General Fund Subsidy Reallocation — In FY 1998, \$1,000,000 was appropriated from the General Fund to ensure that the Home remained solvent. The appropriation was made to the Arizona Department of Administration (ADOA) and was subsequently made non-lapsing until the end of FY 1999. Of this amount, \$400,000 was expended for the Home's operation in FY 1998.

Since the Home is projected to attain self-sufficiency due to increased revenues in the State Home for Veterans' Trust Fund, Laws 1999, Chapter 6, 1st Special Session reverted \$517,100 of the remaining \$600,000 in the non-lapsing General Fund subsidy appropriated to the ADOA.

Nursing Staff and Operating Costs — The approved FY 1999 amount includes a supplemental appropriation of \$1,524,000 and 38.5 new nurse and certified nursing assistant positions. The additional funding is for increased contract nursing costs, and contract physical and occupational therapy services. This amount is continued in FY 2000 and FY 2001. The increase in FTE Positions enables the Home to comply with the federal government's mandated staffing guidelines for skilled nursing homes.

Security and Financial Staff — The approved FY 2000 amount includes an increase of \$194,900 for 5 new security officers and 1 additional accountant. In FY 2001, this amount is increased by \$500 due to higher Employee Related Expenditures associated with the new staff.

Veterans' Home Contingency — This Special Line Item consists of monies that the federal government provided to the state as reimbursement for construction costs associated with the Veterans' Home. Rather than allow the Federal Funds to revert to the General Fund, the Legislature appropriated these monies in a Special Line Item to be used only on a contingency basis. A General Appropriation Act footnote requires the JLBC's review of the Home's proposed use of the Contingency funds prior to their expenditure.

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^{1/} Monies in the Veterans' Home Contingency Special Line Item shall not be expended without the prior review of the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{2/} General Appropriation Act funds are appropriated as a Lump Sum for the Program.